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# **The Human Capital Hoax: Work, Debt and Insecurity in the Era of Uberization**

## **Abstract**

Human capital theory - developed by neoclassical economists like Gary Becker and Theodore Schultz – is widely considered a useful way to explain how employees might enhance their value in organizations, leading to improved skill, autonomy and socio-economic wellbeing. This essay argues the opposite. Human capital theory implies that employees should bear the costs (and benefits) of their investment. Highly *individualized* training and work practices are an inevitable corollary. Self-employment, portfolio careers, the ‘gig economy’ and on-demand business models (including Uber and Deliveroo) faithfully reflect the assumptions that inform human capital theory. I term this the *radical responsabilization* of the workforce and link it to growing economic insecurity, low productivity, diminished autonomy and worrying levels of personal debt. The essay concludes by proposing some possible solutions.

**KEY WORDS:** human capital theory, personal debt; resistance; self-employment, skill, tertiary education, Uberization, zero-hour contracts

## Introduction

A well-known European budget airline recently made headlines when it was reported that almost 70 percent of its pilots were self-employed. In countries like the United Kingdom and US, the number of people classifying themselves as self-employed is rapidly growing (Office for National Statistics, 2014; Bureau of Labour Statistics, 2014). Politicians and neoclassical economists generally celebrate the trend. For the first time in the history of capitalism, workers can now reap the full benefits of their own labour. People no longer toil for someone else, but are their own bosses, deciding alone when and how to do their jobs. Individuals are able to enhance their own 'human capital' and enjoy the revenues it accrues. What some commentators call 'free agents' (Pink, 2002) and the 'creative class' (Florida, 2012) are no longer alienated from the means of production like past generations. Instead they own their skill-set and call the shots on how they are used (Johns and Gratton, 2013). We are told, in fact, that this boost in occupational autonomy represents a major leap forward in workplace freedoms (Miller and Miller, 2012), perhaps heralding a new era of 'frictionless capitalism' and an end to industrial discontent (Stewart, 2013).

But it was not due to these glowing endorsements of self-employment that the story met with widespread public interest. No, these pilots were in revolt. From their perspective, this was no positive development but an exploitative extension of economic rationalization. Now deemed self-employed, the pilots alone must bear the costs of uniforms, stopover hotels, identity cards and other expenses. They signed an exclusivity clause, promising not to fly with any other airline. Nor were they eligible for medical insurance or company pensions like normal employees. It was all beginning to look like a very bad deal.

The pilots protested that the system ultimately meant they were forced to fly since they would not be paid otherwise, even if unwell or fatigued. So they collectively drafted a ‘safety petition’, arguing that the status of self-employment and the use of ‘zero-hours contracts’ (where workers are paid only for the hours they put in but guaranteed none in the advent of low demand) jeopardizes passenger safety. The response from airline management was blunt: “any pilot who participates in this so-called safety petition will be guilty of gross misconduct and will be liable for dismissal.”

These pilots are experiencing a trend that has transformed many jobs over the last fifteen years in Western economies. Employment is being fundamentally *individualized* so that the costs of labour (that firms once covered) are pushed onto the employee with the help of labour-on-demand business models, self-employment, portfolio careers and zero-hours contracts. So pervasive are these shifts that some claim work is being ‘Uberized’ (2015), named after the company that has transformed the taxi industry along similar lines. And as the airline example illustrates, the suggestion that this liberates employees ought to be viewed with some scepticism, especially in light of the extra-long hours, economic insecurity and disempowerment that may ensue.

There are many forces behind this ongoing individualization of the labour force, including the growing power of big business, the decline of unions and even the genuine desire for freedom among the workers. In this essay, I want to argue that one significant ideological precipitator can be found in a variant of neoclassical economics called *human capital theory*. The idea goes back to Adam Smith when he discussed how ‘useful abilities and talents’ are acquired by company workers. In the late 1950s and early 1960s a small group of economists began to formalize their own version of human capital theory. Jacob Mincer (1958), Theodore Schultz (1961), Gary Becker (1962, 1964) and later on, Robert E. Lucas (1988) applied the principles of neoclassical economics to individual behaviour,

proposing that people shouldn't be considered citizens, students, patients or employees, for example. Instead they're *human capital*, a social classification that transcends all others. Human capital(ists) are competitive individualists, preoccupied with investing and enhancing in their own economic value. From this point of view, *life itself* is a personal and permanent commercial project that requires business ambition to generate future income and avoid losses. According to Gary Becker (2008), we often assume that capital only refers to things like Apple stock, plant and banks accounts. However,

...such tangible forms of capital are not the only type of capital. Schooling, a computer training course, expenditures on medical care, and lectures on the virtues of punctuality and honesty are also capital. That is because they raise earnings, improve health, or add to a person's good habits over much of his lifetime. Therefore, economists regard expenditures on education, training, medical care, and so on as investments in human capital. They are called human capital because people cannot be separated from their knowledge, skills, health, or values in the way they can be separated from their financial and physical assets (Becker, 2008).

Exactly who pays for the expenditure is central to the analysis that follows. And the idea that someone cannot be separated from this type of capital will be important too. Regardless, along with its scholarly proponents, human capital is today described by business, governments and even the United Nations as an unalloyed good. For if the concept implies investing in people, leading to more educated, healthier and wealthier employees and economies, then how could anyone be against it?

In this essay I will argue that human capital theory has a dark side. From the 1990s onwards this once arcane framework has become central for enabling the individualization of the workforce, including the rise of zero-hours contracts and precarious employment

structures. This has resulted in what I term the *radical responsabilization* of employment, whereby responsibility for all the costs and benefits associated with being an economic actor are solely his or hers. I call it radical because it's based upon an extreme version of self-interested individualism, one that is largely unrealistic and unsustainable in practice. For this reason, human capital theory might be something of a hoax. Employees don't necessarily become wealthier, smarter or enjoy more self-determination by following its precepts. For sure, I aim to demonstrate a significant link between the tenets of human capital theory and the proliferation of economic insecurity, low-skilled work and personal debt that pervades many societies today.

This is clearly bad for individual employees. But I plan to go one step further in the analysis and evaluate the effects on organizations and the wider economy. In societies that have embraced human capital theory we can observe how many commercial activities that it is supposed to enhance (e.g., skills investment, innovation, productivity, etc.) are actually hindered by it. The UK, for example, has seen within the space of a few years a relatively skilled (but unionized) workforce converted into an army of isolated agency workers and Deliveroo bicyclists delivering pizzas. Low productivity jobs have noticeably boomed (for example, see Booth, 2016; Resolution Foundation, 2016a). With respect to education and training in particular, human capital theory has played its part in 'dumbing down' organizations and economies where its influence is evident, not upskill them.

After unpacking this argument, the essay then turns to some solutions. Is it possible to resist the degrading effects on jobs and organizations that has been hastened, in part at least, by the adoption of neoclassical concepts such as human capital theory?

## **From the Working Class to Corporate Clans**

To understand how human capital has helped facilitate the growing individualization of work, it is important to put the trend in historical perspective. By doing so we can clearly observe the steady atomization of the employee, which reaches its apogee in firms like Deliveroo, Uber and many others.

### *Workers as the Embodiment of Class Interests*

The rise of industrial capitalism saw the birth of a very different way of working. Factory owners needed to officially demarcate the time/space of work since control in the factory, and later the administrative bureaucracy, was crucial to the productive process (Marx, 1867/1976; Weber, 1946). The separation of work and life was not easy, however, attracting a good deal of antipathy from the newly formed working classes (Thompson, 1963; Sellers, 1991). They were accustomed to directing the labour process themselves, usually out of necessity more than anything else. Now they found themselves in an austere, regulated space for 17 hours a day, with little say over how a job was performed.

The ensuing battle between workers and employers over job autonomy deeply shaped management thought (Montgomery, 1989; Edwards, 1979). It was assumed that only scientifically trained managers ought to design the labour process (Nelson, 1974), with Fredrick Winslow Taylor most famously legitimating this stance. But in the factories of North America he was shocked by the degree of control and knowledge average workers had over their jobs. For him, this meant they had the upper hand. And that independence, he suspected, would be used for ‘irresponsible’ purposes; namely, *against* the interests of the company and *for* the interests of workers and their representatives, what Ackroyd and Thompson (1999) label ‘irresponsible autonomy’: “in nineteen out of twenty industrial establishments the workers believe it to be directly against their interests to give their employers their best initiative ... they deliberately work as slowly as they dare while at the

same time try to make those over them believe that they are working fast” (Taylor, 1911/1967: 33). Taylor’s mission was clear. Worker control on the shopfloor had to be stamped out. This was achieved in a number of ways, including the introduction of piece rate incentive systems that “individualize each workman” (Taylor, 1911/1967:70).

### *Workers as the Embodiment of Company Interests*

The severe dysfunctions of Taylorism were known for some time, with the Hawthorne Experiments, the neo-Human relations movement and more humane management approaches decrying the lack of involvement among the workforce. Under Taylorism employees had been ordered not to think and simply do as they were told. But when given discretion over their roles, a happier and more creative climate emerged. This impacted on the bottom line and meant less strikes. Under the intellectual direction of McGregor (1967) and Likert (1967) *inter alia*, employers were encouraged to foster ‘responsible autonomy’ in the workplace (Friedman, 1977). Given the broad economic objectives of a department or division, teams were allowed a degree of freedom over how to meet their targets. Rewards reflected this shift too, since only the best teams ought to be recognized for their initiative, commitment and resourcefulness.

Responsible autonomy reorganized the collective spirit, but unlike its ‘irresponsible’ predecessor, it was enacted in the name of the company’s best interests rather than those associated with class or unions. The idea perhaps reached its pinnacle with the rise of corporate cultures in the 1980s and 1990s, based on Japanese motivation techniques and company pride (see Ouchi, 1980; Deal and Key, 1982; Barley and Kunda, 1993). The rationale was simple: teams will strive for excellence, do what’s best for the firm, stay late to get the job done and aim for ‘excellence’ if they fell in love with the company (Peters and Waterman, 1982). An array of indoctrination techniques were used to foster this emotional



bond between employees and employers (see Kunda, 1992). No wonder some compared them to the brainwashing methods used by cults (O'Reilly and Chatman, 1996).

While the management of corporate cultures is still popular, I suggest another significant transformation has occurred over the last 20 years in Western management thought. The change was, in part at least, prompted by the dysfunctions that 'strong' corporate cultures caused and firm-level attempts to overcome them (Fleming and Sturdy, 2011). For example, studies revealed that many employees were secretly cynical about the idea of loving their firm, with one researcher reporting how employees called the company newsletter 'Goebbels Gazette' (Collinson, 1992). The situation was not helped by the wave of layoffs in the late 1980s. The so-called 'IBM family', for instance, turned out to be not so nurturing after all (Berger, 1993). Moreover, the sheer cost of building and maintaining a corporate culture was yet another disincentive for employers (e.g., see Bains, 2007).

Other permutations were afoot that probably also curtailed the corporate culture fad. The massive emphasis on shared identification meant some employees were more concerned with fitting in and looking the part (Casey, 1995). Innovation, entrepreneurship and productive risk-taking are stifled under such conditions (Foster and Kaplan, 2001). Changing demographics in the workforce too saw an appetite for authenticity and personal difference rather than pretending to approximate a cardboard cut-out version of the 'corporate (wo)man' (Ross, 2004). For a new generation of workers and managers, one's individuality outside the office mattered (Janssens and Zanoni, 2005; Raeburn, 2004). Moreover, its authentic expression in the workplace might be beneficial to morale and productivity since workers could be themselves and excel in their own way.

### **Enter Human Capital Theory**

The decline of the corporate culture movement needs to be placed in historical context to fully grasp the implications. From the late 1990s onwards, work has been extensively reorganized in mainly Anglo-Saxon countries but also elsewhere. This has included the decline of unions and increasingly restrictive laws around industrial action (Richards, 2010; International Labour Organization, 2016); the deregulation of the labour market and the end of secure, lifelong jobs; the emergence of the so-called ‘gig economy’ (Hook, 2015; Sundararajan, 2015) and casual or freelance work (Rashid, 2016); the polarization between high and low skilled occupations (Kalleberg, 2013) and so-forth.

‘Flexibility’ is perhaps the most common term to describe employment today. The average worker no longer defines themselves in relation to shared class interests, nor collective love for a long-term employer. As Boudreau and Ramstad (2007) point out, a human capital approach takes us far beyond corporate clans and its emphasis on unity since workers behave in a much more individualistic manner, almost as a mini-corporation in their own right, viewing themselves as peripatetic agents in a competitive marketplace. Given how market rationalization has transformed employment law and regulation, perhaps it is the *individual contract*, rather than class or company culture, which matters the most to the new worker.

Multiple drivers have been identified behind these shifts in countries like the US, UK, New Zealand and increasingly continental Europe and Scandinavia, including the consolidation of corporate power, neoliberal state policy, the off-shoring of relatively well-paid manufacturing jobs to the Global South and the evolving, intrinsic requirements of work in the service and IT sector (see Mason, 2015; Hill, 2014). However, I argue that the growing individualizing of employment has been significantly enabled by an important intellectual movement associated with neoclassical economics, human capital theory, which has had a major influence on policy makers, governments and other powerful decision-makers. As

mentioned earlier, the notion was formally developed by Jacob Mincer (1958), Theodore Schultz (1961) and Gary Becker (1962, 1964) among others, suggesting that individuals (i.e., their stock of skills, knowledge, education and even personal attributes) could also be conceptualized as capital along with equipment, equity, etc.

The notion of human capital might sound relatively benign (if somewhat materialistic) at first. But it has a dark side. I propose that it helped reimagine employees as competitive, self-interested agents that are somehow *external to the firm*, rather than an internal core resource that requires company investment, training and stewardship. And this has had some very negative consequences.

### *Is Human Capital a Public or Private Good?*

One of the first economists to theorize human capital warned his audience at the American Economic Association meeting in 1960 that treating living human beings as “property or marketable assets” might seem distasteful to the average person (Schultz, 1961: 2). The trick is to emphasize the importance of owning one’s individual prospects, the freedom granting powers of self-investment and its impact on wider prosperity. Gary Becker (1962a) extended the argument in his discussion of employee training, dividing human capital into two types. *Specific* human capital are skills highly particular to a job and non-transferable to other firms. Whereas *general* human capital are abilities that can be used in different organizations or/and industries and are unbound to any particular site of production. Becker then asks an important question. When human capital is transferable (or general) as it increasingly is, who should pay for its development? Probably not employers since that kind of investment might one day literally walk out the door or be poached by a rival. In competitive markets, “firms would provide general training only if they did not have to pay

any of the costs ... hence the costs as well as the return from general training would be borne by trainees, not by firms” (Becker, 1962a: 13).

Schultz’s address to the American Economic Association reluctantly comes to similar conclusions about education. Once a student is reconfigured as human capital, it stands to reason that the initial investment ought to be made by them alone since they are the primary beneficiaries. One can easily detect Schultz hesitate on this point since he’s evidently a fan of public education, understanding its importance for national economic wellbeing. The prevarication ends, however, when a colleague asks for clarification: “Should the returns from public investment in human capital accrue to the individuals whom it is made?” (Schultz, 1961: 15). He wants to say yes because state investment in a collective (yet privately articulated) utility such as tertiary education, for example, can stimulate the wider economy as public goods often do. But he falters under the weight of the question, perhaps detecting in it a taste of things come:

The policy issues implicit in this question run deep and are full of perplexities pertaining to both resource allocation and to welfare. Physical capital that is formed by public investment is not transferred as a rule to particular individuals as a gift. It would greatly simplify the allocative processes if public investment in human capital were placed on the same footing (Schultz, 1961: 15).

The reply is ambivalent and includes two possible conclusions: 1). returns on human capital derived from public investment (e.g., taxes) ought to remain in public hands or 2). returns on human capital derived from public investment (e.g., taxes) cannot be a ‘gift’ if organized along the same principles as any other private enterprise, in which the beneficiary naturally bears some or all of the investment costs.

The first option is state communism and logically anathema to the very idea of human capital since it can only be owned by the individual who embodies it. As we have learnt, human capital and its living carrier can never be separated. The implication is clear. Nobody else can own my human capital because that would be slavery, which conclusively rules out it being linked to ‘welfare’ programmes run by the state.

So only the second option remains tenable. Schultz cannot have what he really wants. His cake (i.e., skill acquisition as a private, individual responsibility) and eat it too (public investment in everyone’s skills). We learn in a footnote the identity of the colleague who prompted Schultz to ask whether human capital is a private or public good; no other than Milton Friedman, a vociferous supporter for privatization in the Thatcher and Reagan years whose influence is still being felt today. From now on the underlying message of human capital theory is simple: there is no such thing as a free lunch.

Friedman had found the ideological lure he was looking for because an individual’s human capital (including its earnings and liabilities) can be owned by nobody else. More importantly, human capital theory provides the ultimate neoclassical retort to the Marxist slogan that workers should seize the means of production. If each person is already *their own* means of production, then the intractable conflict at the heart of the capitalist labour process must logically dissolve. As it turns out, according to Schultz, all workers are in fact consummate capitalists: “labourers have become capitalists not from the diffusion of the ownership of corporation stocks, as folk law would have it, but from the acquisition of knowledge and skill that have economic value” (Schultz, 1961: 3).

*Human Capital Goes to Work*

Given the basic premise of human capital theory forged in the early 1960s, we can easily observe how it smoothed the way for *radical responsabilization*: where each individual human capitalist becomes entirely responsible for his or her economic fate. By the 1990s human capital theory had found a wide audience, especially in the business world (Ehrenberg and Smith, 1994; Davenport, 1999). Viewing employees as individual mini-enterprises was soon all the rage. Kunda and Ailon-Souday (2005) note how HRM practitioners largely abandoned reference to clans, family and culture, all of which connote collectivist values. Instead they adopted a market rationalist perspective when considering the firm's relationship to its employees and vice versa. With concepts like the boundaryless and portfolio career moving to centre stage, Kunda and Ailon-Souday note how the metaphor of love and marriage suddenly seemed old-fashioned when describing contemporary organizations. By the beginning of the 21<sup>st</sup> century, short-term affairs and one nightstands better captured the climate, especially as the ideals of economic self-reliance and independence supplanted expectations of a long-term relationship with an employer.

Following Peter Drucker's (1993) pontifications about the coming 'employee society' the next most read proselytizer of this approach was Tom Peters and his notion of 'liberation management' (Peters, 1994). Retracting his 1980s obsession with strong organizational cultures, he now claimed that the workplace ought to be defined by personal difference and entrepreneurial risk-taking. The pursuit of individual self-interest creates way more shareholder value than any slavish adherence to a collective identity. This is why, according to Peters, it is best to treat employees as if they were their own micro-enterprises. Organizational members are encouraged to discover 'The Brand Called You' (Peters 2000). This intangible asset can be leveraged and capitalized upon at the crucial moment for those who understand both the external and internal job market.

This is certainly telling of a sea change in popular books about organizations, management and business. But how exactly does radical responsabilization play out in practice? It can do so in a several ways, I suggest. Freelancing, self-employment and agency work associated with on-demand contracts are obvious examples we have already discussed. But organizations might manage their permanent workforce along the same lines too. For example, Ressler and Thompson (2012) observe the rise of what they call ‘Results Only Work Environments’ (or ROWE) in a number of US industries. Rather than focus on productive inputs, as much management wisdom prescribes in relation to monitoring, training and motivation, ROWE firms are only concerned with outcomes. Once again the employee is somehow external to the organization, which is used to good effect. Academia partially follows this flexi-work model. My employer is largely unconcerned when, where and how I prepare for a Tuesday afternoon lecture, be it in the middle of the night or in the weekend. Indeed, it would be counter-productive to insist I check in at 9am on Monday morning and be at my desk present and accounted for. As long as I arrive to the lecture hall and do a satisfactory job (which, of course, is measured rather rigorously!) my employer is happy. Unlike managers of yesteryear, Ressler and Thompson (2012: 61) suggest, businesses don’t worry that ROWE workers are going to shirk their duties if nobody is watching them all day: “It’s not about giving people more time with the kids. ROWE is not about having more time off ... you might even work more”.

It is with the individualistic contract-based business model that we see human capital theory really come into its own. As mentioned earlier, such contractualization exemplifies the narrow manner in which human capital theory interprets self-interest. People are now monadic and self-contained enterprises rather than members of a wider group. For example, in Western economies there has been a boom in self-employment over the last ten years, with a staggering 14.6 million people registered in the US in 2015 (Pew Research Centre, 2015).

In the UK, the self-employed workforce has grown by 45% since 2001, standing at almost five million workers (Resolution Foundation, 2016b). Additionally, it is estimated that in 2014 about 1.8 million ‘on call’ or ‘zero-hours’ contracts existed, a figure that probably underestimates the true extent of their presence in the hotel/restaurant, education and healthcare industries (Office for National Statistics, 2014). The so-called ‘gig economy’, whereby contractors continuously move from job to job like journeymen or a musician, is said to capture the future of work in OECD economies (Reich, 2015).

Neoliberal ideology overwhelmingly supports these shifts in how work is organized, proclaiming the benefits for employers, workers and consumers. Echoing the tenets of human capital theory, this is all about empowering people. We now thankfully live in a ‘Free Agent Nation’ (Pink, 2001) where choice and preference are considered basic occupational attributes. Unlike our parents and grandparents who had no option but to conform to mass patterns of employment in and out of the office, actors today can tailor work around their lifestyle. This sentiment is best exemplified by Semco CEO Ricardo Semler (2007: 13): “imagine a company where workers set their own hours; where there are no offices ... [where] you have the freedom to get your job done on your own terms and to blend your work life and personal life ... smart bosses will eventually realize that you might be most productive if you work on Sunday afternoon, play golf on Monday morning ...”

### **The Poverty of Human Capital Theory**

In many ways, this economic individualization probably still echoes the appeal for autonomy that has informed so much employee dissatisfaction from the early industrial period onwards. Discretion over how, where and when a job is performed remains attractive to many today. Yet, as I have demonstrated, the basis upon which that independence is



defined has been systematically desocialized over time; from industry or even economy-level *class interests*, to a narrower set of *company interests* and then finally to *individual self-interest*.

Do these trends really yield the splendid benefits that human capital economists, management gurus and government officials so often imagine? I argue that the radical responsabilization of jobs has a nasty side, one that economically and politically disadvantages workers, and eventually hurts industry more generally. For many entering this new era of employment, financial insecurity, declining wages and *less* job autonomy is expected. In other words, the individualism promoted here creates vulnerabilities to the forces of concentrated economic power, particularly in economies that lionize privatization, limit state public spending and expose almost every facet of life to the marketplace. In this way, the politics of work is now closely interwoven with other social justice concerns related to ‘life’ more generally like affordable housing, the cost of living crisis, personal debt and access to education. Let’s survey some of these negative outcomes in more detail.

### *Lower Incomes and Work Intensification*

Employment relationships inspired by human capital theory are lucrative to individual workers if their skill is scarce and demand is high. In the majority of cases, however, contract-based independence generally has a downward pressure on income because of competition and the asymmetrical power relationship that develops between firms and workers (Trade Unions Congress, 2014). Why so? As dictated by the principles of neoclassical economics, when a person is reconceptualized as human capital, they become an external agent with their own set of interests. A mini-corporation. It’s only a small step to then conclude that they ought to be liable for meeting the financial overheads of that economic interest. The pilot example mentioned earlier is a good case in point. Individualized

liabilities include not only fringe benefits like medical insurance, training and pensions, but also basic equipment to get the job done: uniforms, ID cards, transport and other essentials that would render the labour process impossible if absent.

Wages are also depreciated by the sporadic and unpredictable nature of such employment compared to standard jobs. Fluctuations in labour demand, coupled with a one-sided power relationship that sees employers alone decide whether you will work and be paid today, for example, inevitably lowers income expectations. This is often backed up by state legislation. For example, basic employment law, including the National Minimum Wage does not apply to self-employed or independent contractors in the UK. Neither are they entitled to other benefits that normally apply. A government website lists these as:

Statutory Sick Pay.

Statutory maternity, paternity, adoption and shared parental leave.

Minimum notice periods if their employment will be ending, eg if an employer is dismissing them.

Protection against unfair dismissal.

The right to request flexible working.

Time off for emergencies.

Statutory Redundancy Pay.

A report in the England revealed the economic fate of many who are reclassified as self-employed. Most notably, the likelihood of ending up as the next Uber-rich Richard Branson is rather low: “Self-employed people on average have experienced a 22% fall in real pay since 2008-09, with average earnings of £207 a week, less than half that of employees,

with no sick pay or holiday pay, and no employer to contribute towards their pension” (Monaghan, 2014: 25). According to another study, the burgeoning class of self-employed workers in England are paid in 2016 less than a typical employee in 1994 (Resolution Foundation, 2016b).

A recent account of a courier driver working for Hermes in the Britain demonstrates how this pay-cut can occur. First of all was the training. The driver spent two days shadowing another contractor, which he wasn’t paid for, since as Gary Becker proposed, that would be economically irrational to the firm. Once the driver was on the payroll, he calculated his income to be about £4 per hour before expenses. And after figuring these expenses into the equation the bleak reality became clear:

The Hermes model offloads all the risk on to the “independent” courier, but the potential reward is absolutely limited. You are responsible for the packages, any problems with the system, your car, paying for your holiday time, covering any sickness. I learned that the postman in one of the villages had recently had an operation on his hand as a result of an injury at work. His job was pretty much the same as mine, but he was a Royal Mail employee and had just had five weeks off on sick pay. Hermes couriers don’t get any sick pay. The postmen often help out the couriers because they feel sorry for them. They know the Hermes guys get a raw deal (quoted in Heywood, 2016).

And therein lies another important facet of radical responsabilization. What employers consider cheap labour is actually very expensive for everybody else to maintain. For instance, a company would find it almost impossible to hire a restaurant worker on minimum (or below) wage without the state covering the shortfall with tax credits, housing benefits and so forth. This amounts to a generous public subsidy to corporations who are not willing to pay a

basic living wage. In 2012-13, the UK taxpayer gifted the corporate sector £93bn or about £3,500 from each household in direct and indirect subsidies (Chakraborty, 2015). Moreover, a National Housing Federation (2016) study in the Britain found that housing benefits – paid to the working poor who cannot afford their rent – resulted in private landlords pocketing £9.3bn in 2015. Twice as much than in 2005. The cost to the US taxpayer for low paid work is even steeper (Good Jobs First, 2014). The conclusion is sobering. The application of human capital theory to the general workforce has arguably resulted in one of the most outlandish ‘corporate welfare’ programmes to ever emerge in Western societies.

With sagging wages and rising insecurity, it is easy to see why the pressure to work – no matter what – is more apparent when the workforce is Uberized in this manner. For example, Gregg’s (2011) study of freelance workers in Australia highlights the long hours of work involved in order to make ends meet. Human capital theory is clearly influential here. From this perspective the enterprising individual is supposed to ignore the traditional boundaries that were once erected between work and non-work. For they are now ‘permanent enterprises’, a phrase coined by Michel Foucault (2010) in his lectures on neoliberalism, since life itself becomes a constant economic venture. Human capitalists can never ‘check out’ in this respect. If this means working all night to meet a deadline then so be it. Overwork and burnout are soon inevitable.

In addition to overwork, another important consequence arises when employment is organized this way: *unpaid work*. Gregg (2011) found that when economy and life become one (the ultimate datum of human capital theory), people find themselves working on their own time, say on Sunday night in order to prepare for a Monday morning meeting. Work colonizes everything else since life as such (Gary Becker even includes our choice of romantic partner) is nothing but a set of commercial transactions. In the context of her study,

Gregg observed flexi-workers personally paying for what ought to have been a company expense, such as postage and software, in order to meet deadlines (also see Lambert, 2015; Bobo, 2009). We might term this ‘free work capitalism’. It affects not only freelancers but also many in stable jobs too as mobile technology makes it difficult to tell when the work day is truly over. It not surprising that a recent study by the Chartered Management Institute (2016) in the UK discovered many employees cancelling out their entire annual statutory holiday allowance given the after-hours work they do. Once again, burnout, hyper-tension and low productivity was cited as a clear consequence, according to the study.

### *Debt and a Dumbed Down Economy*

The radical responsabilization of work outlined above is interconnected with other alarming developments that can easily be traced back to human capital theory. The early economists working in this area were preoccupied with training and education as a key self-investment opportunity. Recall how Schultz (1961) argued that benefits derived from the public investment in human capital cannot be owned by a private individual. This is no gift or welfare programme. The corollary is that for the concept of human capital to hold water (i.e., individuals alone possessing their human capital since they cannot be separable from it), he or she must ultimately be responsible for the investment outlay. At the firm level, as Becker (1962) averred, it’s irrational for an employer to cover training costs because in a competitive labour market turnover is expected. At the state level, Friedman (1962) popularized a similar attitude. Why should hard working taxpayers ‘gift’ to a complete stranger the resources required to accumulate their human capital given that only the said stranger benefits from the investment?

In the end, this means training and skill acquisition is largely the individual employee’s responsibility. The implication is clear. If someone seeks to enjoy the relative

advantages of being employed as a skilled employee, then tertiary education and or/training is essential. This is no public provision, however, since only the individual in question profits in terms of future earnings. To see the rationale in practice, just look at the language used in the 1997 Dearing report that effectively ended free tertiary education in the UK. It has human capital theory written all over it:

The level of investment needed in a learning society is such that we see a need for those who benefit from education and training after the age of 18 to bear a greater share of the costs. As a result, we expect students of all ages will be increasingly discriminating investors in higher education, looking for quality, convenience, and relevance to their needs at a cost they consider affordable and justified by the probable return on their investment of time and money (Dearing Report, 1997: 11).

The terminology represents a major paradigm change in how the resourcing of tertiary education is understood, transforming what was once considered a ‘public good’ into a private investment. Unless they’re already wealthy, most people won’t have immediate access to the funds required for tuition fees. So personal debt becomes a solution. There is thus a clear connection between the reschematization of people as human capital (particularly in an inegalitarian society) and the tremendous rise of student indebtedness. Exacerbated by aggressive fiscal policy and a predatory finance industry (see Ross, 2014), student debt has become enormous in many OECD economies. In the US it stood at \$1.2 trillion in 2014, with over 7 million debtors in default. In the UK the figure is about £2bn and steadily growing. A report in the UK found that the average 18-year old entering university today will still be making loan repayments well into their fifties (Institute for Fiscal Studies, 2014).

A number of dysfunctions beset a society that finances the acquisition of knowledge and skills using unsafe levels of credit. Many members of the ‘jilted generation’ (Howker and Malik, 2010) are simply unwilling to take on such a life-long liability, especially in economically deprived neighbourhoods where the dream of a well-paid graduate job remains simply that, a dream. It doesn’t help that for the first time since tuition fees were introduced in the UK, for example, student debt repayments now cancel out most graduate ‘pay premiums’ or what is added to lifetime earnings by having a university degree rather than not (Intergenerational Foundation, 2016). When David Bowie recently died an astute commentator wondered if such ground-breaking talent could ever emerge in present day London given how the working-class Bowie enjoyed free art college, etc. With almost daily reports about the dreadful anxiety experienced by student creditors (e.g., Huffington Post, 2013), whole generations have sort to keep the debt collector at bay by avoiding higher education altogether (Callender and Jackson, 2005). Was another Bowie among them? Who knows? But sadly we wouldn’t ask the same question regarding another Donald Trump.

That’s the point. Skill and innovation are structurally compromised under these conditions of inequality because the potential pool of talent is so drastically shrunk. Only a small group of individuals from wealthy families end up with jobs that require expertise and attract high incomes. For everyone else, a self-reinforcing, downward spiral emerges. The sequence goes like this. Low-skilled job creation is inevitable in light of substandard labour market capabilities. This discourages capital investment and labour productivity therefore falls (Autor and Dorn, 2013; O’Connor, 2015). We can understand why an employer would not be overly enthusiastic about investing in new machinery or IT system if there is no labour force to make the most of it (Gordon, 2016; Broadbent, 2015). In the meantime, evolving at the other end of the labour market is a serious skills deficit. Limited training opportunities mean there aren’t enough qualified people to fill the available vacancies (see Gordon, 2012;

*The Economist*, 2015). Anti-immigration policies clearly exacerbate that problem. And so on. To summarise, economic growth seems to *contract* in economies that endorse human capital theory. The old prediction that post-industrial societies would produce an immense, upward ‘skills revolution’ (Bell, 1974) almost seems comical today.

### *More Management, Not Less*

Hence one of the more unexpected outcomes of radical responsabilization. We are told that human capitalists are ‘free agents’, alone determining how and when they work. But much of the evidence suggests that these workers are micro-managed, monitored and directly supervised more now than ever. The observation is missed by celebrants and critics alike, who emphasize self-management and self-regulation, albeit insecure, precarious and stressful. Even hardened critics of new capitalism like Andre Gorz (2010) wrongly assume that old fashion managerialism tends to disappear with the advent of individualized, market-based employment practices. People are assumed to manage themselves, anxiously micro-managing their lives from project to project. But here is the rub. Disenfranchised human capitalists are certainly *on their own* when it comes to absorbing the risks and costs of economic insecurity. But this doesn’t mean they are *left alone*. Just the opposite. Authoritarianism is now a definitive aspect of this approach to labour relations, even in the relatively well paid corporate sector, as the shocking expose of white-collar employment at Amazon recently revealed (Kantor and Streitfeld, 2015).

Perhaps it is here that the promise of full autonomy pledged in the name of human capital is truly betrayed. In their extensive study of organizational-level employment practices, Kleinknecht, Kwee & Budyanto (2016) found that deregulated labour markets tend to have ‘thicker’ and more ridged management structures than normal workplaces:



“organisations employing high shares of flexible workers have higher shares of managers in their personnel. We argue that flexibility in labour markets (i.e. easier firing and higher labour turnover) damages trust, loyalty and commitment. This requires more *management and control*” (Kleinknecht et al., 2016: 1137). The management function – especially its policing aspect – returns with vengeance given the unhappiness that radical responsabilization fosters in the workforce, a trend predicted back in the mid-1990s by more prescient economic commentators (e.g., Gordon, 1996).

Blend this hyper-distrust with technological surveillance and then some really worrying work patterns emerge, even in relatively skilled and secure occupations. For example, in January 2016 journalists at a well-known London newspaper were suddenly ordered to wear heat/motion sensors that monitored whether they were at their desks (Waterson, 2016). The initiative was introduced without notice. Employees simply found the devices at their work stations on Monday morning and Googled the brand name to identify what they were. An edict was later issued by senior management. The monitors must be worn at all times during work hours. For many it didn’t make sense. Journalism doesn’t operate this way. It flourishes when workers can rove from their desk, not when needlessly tied to it. But perhaps the issue was no longer about productivity. Management distrust had clearly become self-defeating. Superiors were willing to risk obstructing the very labour process they ostensibly sought to optimize rather than lose control. This is how the insecurity caused by radical responsabilization can fuel a vicious cycle. More disgruntlement leads to even more intrusive controls and so on.

### **Resisting the Human Capital Hoax**

I have aimed to demonstrate how human capital theory provides an ideological alibi for the radical responsabilization of the workforce. Developed by neoclassical economists like

Gary Becker, Theodore Schultz and Milton Friedman, human capital theory fundamentally individualizes people, placing the costs of economic activity onto the employee. Self-employment, on-demand business models, freelancing and what some term the Uberization of the workforce effortlessly follow from the idea that people are ultimately responsible for their own economic fate. Human capital theory is widely celebrated as a framework for explaining how organizations and societies can build skill, innovation and economic security. I have argued, however, that it can result in the opposite. Instead of being freer and wealthier, human capitalists are just as likely to be mired in debt, insecure and dominated by authoritarian management systems.

Of course, not everything wrong with contemporary employment should be blamed on human capital theory. But given how it is continuously discussed in such positive terms, this essay has sort to highlight the negative side of human capital theory, especially the employment practices that have been so patently inspired by it.

Is it possible to resist or even reverse the organizational trends this essay has identified? An important first step is to demonstrate how the radical responsabilization of work isn't a more effective and efficient form of economic rationality. On many levels it is *economically irrational*. Zero-hours contracts, Uberization and low skilled jobs are tiringly expensive to the state and individual workers alike, damaging labour productivity and economic growth. Employee well-being undeniably declines because of poorer pay, onerous management structures and lack of investment in training. Neoliberal discourse attempts to cloak these dysfunctions by emphasizing individual choice and responsibility once again. If you're a loser in the new world of work it must somehow be your fault. Human capital theory perfects this maxim.

While this essay has emphasized the ideological import of human capital theory, many of the adverse trends discussed above are now thoroughly societal, resulting from the

way work is structurally organized. The most obvious conclusion from my analysis is that workers today have been grossly disempowered by these emergent employment relationships. This has allowed the genuine yearning for worker independence to be hijacked and transformed into an instrument of proletarianization. Rebalancing the employer/employee relationship is the only way the situation might be rectified. This means employee collectivization, breaking the spell of human capital theory and its impoverishing brand of individualism. But is this realistically possible?

In many ways it is already happening, with labour collectives around the world opposing the human capital hoax. For example, London Uber drivers took their case to the UK Employment Tribunal in October 2016. They claimed they were employees (rather than self-employed) and thus eligible to be paid the minimum wage. The court agreed (Osbourne, 2016). Other examples of collective action against radical responsibilization include the ‘alt-labour’ movement in the US (Eidelson, 2013), employee cooperatives in Europe (such as the inter-European CECOP network) and the recent global trend of employee activism (Weber Shandwick, 2015). For sure, recall how the disgruntled pilots mentioned at the beginning of this essay formed a concertive response to their *de facto* employer.

The return to solidarity does not necessarily have to be in the name of class interests, which has significantly diminished as an ‘imagined community’ in recent years. Perhaps championing the broader idea of universal workers’ rights is a more effective strategy, potentially reaching a richer audience than any appeal to increasingly fragile class loyalties. Regardless, a more balanced employment relationship is indispensable if self-determination is to be successfully renegotiated to create fairer life chances. No doubt this may have a positive impact on the economy more generally (in terms of engagement, productivity, less cumbersome management, higher wages that drive growth, etc.). Only on these grounds can the desire for independence be practically achieved. The point needs emphasizing, which also

highlights the flimsy foundations upon which human capital theory is built. One cannot truly express individualism, self-reliance and choice when desperately dependent on an unequal power relationship. Wider societal backup and support is necessary.

Governmental policy must play a decisive role in promoting a more just organization of work. Many Anglo-Saxon nation-states have been openly hostile to the collective empowerment of workers. When the workforce has meaningful input into their occupations, disengagement will no longer be the overriding experience. Democratizing the workplace requires legal support and incentives, which the state can readily deliver (for example, the New Zealand government recently out-lawed zero-hours contracts after much pressure from trade unions [see Roy, 2016]). Other measures are also possible. A universal living wage would effectively neutralize the existential fear that has led so many to settle for so little in contemporary organizations. Detractors wrongly argue that society cannot afford such spending and inflation would run rampant. However, given the genuine independence that a universal living wage permits, the bill is typically *less* compared to funding the vast infrastructure needed to organize the unemployed and working poor (Bregman, 2016). Inflation doesn't rise because no new money is printed, only more equally distributed. And the presumption that businesses must *automatically* shift the expense of fairer wages onto the consumer (via the hiked prices of goods and services) was always dubious economic reasoning (see Stout, 2012).

An important basis of occupational empowerment is skill. However, as I have tried to explain in this essay, major organizational and economic dysfunctions emerge when skill is treated simply as a private good. It instead ought to be framed as a public one: embodied in specific individuals, work groups and organizations, but if enhanced will substantially contribute to broader prosperity in an egalitarian economy. We can already see this ethos fermenting in counter-business initiatives related to the creative commons and co-operatives.

These organizations grow precisely by sharing knowhow rather than privatizing and hoarding it. While the much vaunted notion of the ‘sharing economy’ has partially fallen prey to corporate interests (see Slee, 2015), it has helped spark debates about how value might be generated outside the doxa of private property and competitive individualism (see Mason, 2015).

Once knowledge and skill are deemed a public concern, we must inevitably abandon human capital theory because it is intrinsically wedded to the axiom of private, individual ownership. Robert E. Lucas’ (1988: 36) interesting attempt to square the circle in the human capital paradigm only concluded that there must be some external and unobservable force that adds value beyond the individual human capitalist, a mysterious “factor *X*” that prevents “cities flying apart”. Isn’t this telling of the wilful blindness of neoclassical economics? A Nobel Prize laureate feels more comfortable using the term ‘factor *X*’ than the ‘common good’.

De-privatizing the skills pool would mean radically rethinking the provision of higher education and training (also see Lazzarato, 2012; Harney and Moten, 2013). In particular, reversing the massive dependence on student debt that has disfigured many Anglo-Saxon economies today is crucial if the skills base is to be rejuvenated and innovation cultivated. The debt refusal movement is gaining traction in this regard and holds hope for conceptualizing education outside the human capital agenda. For example, Simon Crowther gained notoriety in March 2016 when he sent a letter to his local Minister of Parliament complaining that there was something deeply flawed with the student loans system. He simultaneously posted the letter online and received much media attention. His initial debt was a modest sum, but it had somehow ballooned into £41,976 by 2016 because he was paying £180 a month in interest payments. As Crowther’s letter of protest points out, he and fellow students,

... feel we have been cheated by a government who encouraged many of us to undertake higher education, despite trebling the cost of attending university. I was still in sixth form at school when I agreed to the student loan. I had no experience of loans, credit cards or mortgages. Like all the other thousands of students in the UK, we trusted the government that the interest rate would remain low – at around 0%-0.5% (cited in Osbourne, 2016b).

Given the indenture-like nightmare that personal debt entails, the debt refusal movement is an important first step towards a more humane socio-economic system (see Ross, 2014). Similarly, governments must seriously consider debt forgiveness if we are to dismantle the harmful economic edifice that has been built upon the radical responsabilization of the workforce. I argue this in the name of social equality. But it could also be defended in terms of innovation, productivity and a truly functioning knowledge economy.

In conclusion, human capital theory is just one manifestation of a set of comprehensive neoclassical economic ideas that accentuate self-interested individualism as the only way to envisage the organization of work. However, when set upon the backdrop of wider socio-economic inequalities and uneven power relationships, this excessive individualism recasts workers as complete owners of their economic failure. Governments too have followed this policy in relation to training and education. As a result, it is misleading to say that human capital theory is about investing in people. It may also represent a form of divestment. The advocates of Uberization claim it is the future, no matter what. How employees, organizations and scholars respond to this proclamation will shape the politics of work to come.



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